

Davis Community Housing Authority
Independent Auditors' Reports, Management's
Discussion and Analysis, and Supplemental
Information

September 30, 2007

Davis Community Housing Authority

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Statement of Net Assets	10-11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-24
Supplementary Schedules	
Financial Data Schedule I – Statement of Net Assets	26-29
Financial Data Schedule II – Statement of Revenues, Expenses, and Changes in Net Assets	30-35
Notes to Financial Data Schedules	36
Schedule of Expenditures of Federal Awards	38
Notes to Schedule of Expenditures of Federal Awards	39
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40-41
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	42-43
Schedule of Findings and Questioned Costs	44-45
Schedule of Findings and Questioned Costs - Prior Year	46
Auditors' Report on State Legal Compliance	47

**Independent Auditors' Report on
Financial Statements and Supplementary Schedules**

To the Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the accompanying financial statements of the business-type activity and major fund of the Davis Community Housing Authority (the Authority), as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Authority as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners
Davis Community Housing Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II on pages 26 through 36 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These Schedules are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Child, Van Wagoner & Bradshaw, PLLC

Kaysville, Utah

June 4, 2008

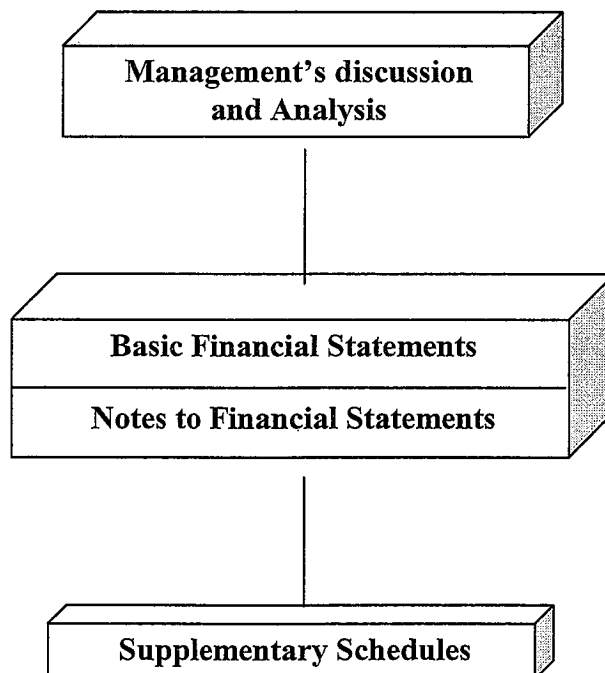
**Davis Community Housing Authority
Management's Discussion and Analysis (MD&A)
Year Ended September 30, 2007**

INTRODUCTION

The Davis Community Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Davis County area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended September 30, 2007, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The Authority's FY2007 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



Davis Community Housing Authority
Management's Discussion and Analysis (MD&A) (continued)
Year Ended September 30, 2007

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Activities and Changes in Net Assets, and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's business-type activity financial statements for FY2007 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current year results in comparison with the prior year results follows:

- Net assets of the Authority increased \$507,431 as of September 30, 2007, from the prior year.
- Operating revenues of the Authority decreased by \$25,486 from prior year results.
- The increase in cash and cash equivalents for the year was \$654,545.
- Current liabilities increased \$50,714 over prior year results.
- Long-term liabilities decreased \$79,093 over prior year results.

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2007 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements: the Statement of Net Assets, the Statement of Activities and Changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Davis Community Housing Authority
Management's Discussion and Analysis (continued)
Year Ended September 30, 2007

- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The Statement of Activities and Changes in Net Assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non operating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents eight different programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2007, the following programs make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low and moderate-income families seeking housing in the private rental market.
- *Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation* – This program is funded by HUD and is a subsidy program for low and moderate-income families seeking housing in the private rental market.
- *Low-Rent Public Housing Program* – This program is funded by HUD and is a subsidy program for low and moderate-income families seeking housing owned by the Authority.
- *Capital Funds Program* – This program is funded by HUD to improve and maintain housing owned by the Authority.

Davis Community Housing Authority
Management's Discussion and Analysis (continued)
Year Ended September 30, 2007

- *Mortgage Insurance Rental and Cooperative Housing for Moderate Income* – This program is funded by HUD and is a subsidy program for low and moderate-income families seeking housing owned by the Authority.
- *Housing Opportunities for Persons with AIDS* – This program is funded by HUD and is a subsidy program for low and moderate-income families dealing with AIDS seeking housing in the private rental market.

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

Davis Community Housing Authority
Statement of Net Assets

	2007	2006	Total Percentage Change
Current assets	\$ 3,416,282	\$ 2,839,470	20.3%
Restricted deposits	601,329	576,159	4.4%
Fixed assets, net of depreciation	7,576,472	7,686,769	(1.4%)
Other assets	1,532,760	1,542,946	(0.7%)
Total assets	13,126,843	12,645,344	3.8%
Current liabilities	386,352	335,638	15.1%
Deposits and prepaid liabilities	34,095	31,648	7.8%
Noncurrent liabilities	1,106,272	1,185,365	(6.7%)
Total liabilities	1,526,719	1,552,651	(1.7%)
Net assets:			
Invested in capital assets	6,461,281	6,487,379	(0.4%)
Restricted net assets	2,543,220	465,527	446.3%
Unrestricted net assets	2,595,623	4,139,787	(37.3%)
Total net assets	\$11,600,124	\$11,092,693	4.6%

The Authority's total assets at September 30, 2007 were \$13,126,843, an increase of \$481,499, or 3.8%, from September 30, 2006.

**Davis Community Housing Authority
Management's Discussion and Analysis (continued)
Year Ended September 30, 2007**

Current Assets

Current assets increased by \$576,812, as of September 30, 2007 compared with September 30, 2006. The increase was due to an increase in cash from HAP payments to the Authority that was not spent.

Current liabilities

Current liabilities increased by \$50,714 as of September 30, 2007 compared with September 30, 2006. The primary source of the increase was due to accounts payable owed to HUD for the Moderate Rehabilitation program.

Net Assets

The Authority's net assets increased by \$507,431, during FY2007. At September 30, 2007, investments in capital assets comprise about 57.7% of the Authority's total assets. The amount invested in capital assets amounts to about 55.7% of total net assets.

The Authority's net assets also consist of restricted and unrestricted net assets. Restricted net assets include cash restricted for tenants' security deposits, FSS escrows, and future modernization and development less liabilities that will be paid from these restricted assets. Restricted net assets includes \$601,329 in restricted cash less liabilities in the amounts of \$34,095 for tenants' security deposits, \$43,974 in FSS escrow deposits, and \$2,040,670 in HAP. Unrestricted net assets include cash in the bank, receivables, and other assets less all other liabilities not otherwise applied. At September 30, 2007, restricted net assets amounts to about 21.9% of total net assets and unrestricted net assets amounts to about 22.4% of total net assets.

Davis Community Housing Authority
Management's Discussion and Analysis (continued)
Year Ended September 30, 2007

Statement of Activities and Changes in Net Assets

The results of operations for the Authority are presented below:

Davis Community Housing Authority Statement of Activities and Changes in Net Assets				
	2007	2006	Increase/(Decrease) Amount	Percentage
Operating revenues:				
Net tenant rental revenue	\$ 599,373	\$ 597,242	\$ 2,131	0.4%
HUD PHA operating grants	7,434,887	7,754,944	(320,057)	(4.1%)
Other government grants	2,867	298,650	(295,783)	(99.0%)
Other operating revenue	24,527	132,130	(107,603)	(81.4%)
Total operating revenues	<u>8,061,654</u>	<u>8,782,966</u>	<u>(721,312)</u>	
Operating expenses:				
Administration	1,054,499	1,029,849	24,650	2.4%
Utilities	136,193	128,371	7,822	6.1%
Operating and maintenance	344,525	377,039	(32,514)	(8.6%)
General	178,380	81,407	96,973	119.1%
Insurance	59,207	62,873	(3,666)	(5.8%)
Housing assistance payments	5,755,974	5,523,169	232,805	4.2%
Depreciation	404,097	409,964	(5,867)	(1.4%)
Total operating expenses	<u>7,932,875</u>	<u>7,612,672</u>	<u>320,203</u>	
Operating loss	<u>128,779</u>	<u>1,170,294</u>	<u>(1,041,515)</u>	
Nonoperating revenues:				
Interest income	176,848	94,171	82,677	87.8%
Capital Grants	251,932	57,474	194,458	338.3%
Interest Expense	(50,828)	(54,630)	(3,802)	(7.0%)
Gain(loss) on sale of fixed assets	700	(73)	773	1,058.9%
Nonoperating revenues, net	<u>378,652</u>	<u>39,468</u>	<u>339,184</u>	
Change in net assets	<u>\$ 507,431</u>	<u>\$1,267,236</u>	<u>\$ (759,805)</u>	

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2007, the Authority's revenues for its activities totaled \$8,061,654. Of this total, \$7,434,887 is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$7,932,875, of which \$5,755,974 was housing assistance payments.

**Davis Community Housing Authority
Management's Discussion and Analysis (continued)
Year Ended September 30, 2007**

About 5.1% of the Authority's total revenues in FY2007 were non-operating revenues that are derived from investment income (2.1%) and capital grants (3.0%). The remaining 94.9% were operating revenues derived from dwelling rentals (7.1%), HUD PHA operating revenues (87.6%), other government grants (0.03%), and other operating revenues (0.27%).

About 0.6% of the Authority's total expenses in FY2007 were non-operating expenses that are derived from interest expense. The remaining 99.4% were operating expenses derived from administration (13.3%), utilities (1.7%), operating and maintenance (4.6%), general (1.6%), insurance (0.7%), housing assistance payments (72.3%), and depreciation (5.1%).

Increase in net assets for the year ended September 30, 2007 was \$507,431 compared with an increase of \$1,267,236 for the year ended September 30, 2006. Factors contributing to these results included:

- Receiving \$290,646 additional funds in the prior year for Section 8 Housing Choice Vouchers program in the prior year.
- Authority's HAP revenue decreased \$386,652 in 2007 than in 2006, where HAP payments increased \$252,161.

CAPITAL ASSETS

The Authority's capital assets as of September 30, 2007, included land, buildings, furniture and equipment, leasehold improvements and construction in progress that totaled \$7,576,472, most of which consists of rental units available for lease to low and moderate-income residents. Capital assets, net of depreciation, decreased \$134,972 from the preceding year.

	2007	2006	Change
Land	\$ 2,341,521	\$2,341,521	\$ -
Buildings	9,713,153	9,541,886	171,267
Furniture and equipment – dwellings	136,897	129,571	7,326
Furniture and equipment – administrative	424,074	470,154	(46,080)
Leasehold improvements	847,564	774,349	73,215
Construction in progress	157,102	91,081	66,021
Total net assets	13,620,311	13,348,562	271,749
Accumulated depreciation	(6,043,839)	(5,661,793)	(382,046)
Total	<u>\$ 7,576,472</u>	<u>\$7,686,769</u>	<u>\$ (110,297)</u>

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Davis Community Housing Authority, P.O. Box 328, Farmington, UT 84025.

Davis Community Housing Authority
Statement of Net Assets
September 30, 2007

Assets

Current assets:

Cash - unrestricted (note 2)	\$ 1,220,843
Accounts receivable - HUD	31,261
Accounts receivable - other government	21,981
Accounts receivable - tenants	10,009
Notes receivable - current portion (note 10)	52,542
Accrued interest receivable	52,390
Prepaid expenses	7,566
Total current assets	<u>1,396,592</u>

Restricted deposits: (note 2)

Cash - tenants' security deposits	34,095
Cash - restricted	2,521,821
Investments - restricted	65,103
Total restricted deposits	<u>2,621,019</u>

Fixed assets: (note 8)

Land	2,341,521
Buildings	9,713,153
Furniture, equipment and machinery - dwellings	136,897
Furniture, equipment and machinery - administration	424,074
Leasehold improvements	847,564
Construction in progress	157,102
Total fixed assets	<u>13,620,311</u>
Less: accumulated depreciation	<u>(6,043,839)</u>
Net fixed assets	7,576,472

Other assets:

Notes receivable - less current portion, net of allowance of \$7,259 (note 10)	1,520,967
Loan costs, net of amortization of \$6,645	11,793
Total other assets	<u>1,532,760</u>

Total assets	<u><u>\$ 13,126,843</u></u>
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See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Net Assets (continued)
September 30, 2007

Liabilities

Current liabilities:

Accounts payable	\$ 65,024
Accounts payable - HUD	122,572
Accounts payable - other government	20,632
Accrued payroll taxes payable	15,209
Accrued compensated absences - current portion	17,502
Accrued interest payable	4,187
Mortgages payable - current portion (note 5)	87,550
Deferred revenue	53,676
Total current liabilities	<u>386,352</u>

Deposits and prepaid liabilities:

Tenants' security deposits	34,095
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Long-term liabilities:

Mortgages payable - less current portion (note 5)	1,027,641
Accrued compensated absences - less current portion	34,657
FSS escrow liability	43,974
Total noncurrent liabilities	<u>1,106,272</u>

Total liabilities	<u>1,526,719</u>
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Net Assets

Invested in capital assets, net of related debt	6,461,281
Restricted net assets	2,543,220
Unrestricted net assets	2,595,623
Total net assets	<u>11,600,124</u>

Total liabilities and net assets	<u><u>\$ 13,126,843</u></u>
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See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended September 30, 2007

Operating revenues:	
Dwelling rentals	\$ 599,373
HUD PHA operating grants	7,434,887
Other government grants	2,867
Other operating revenues	24,527
Total operating revenues	<u>8,061,654</u>
Operating expenses:	
Administration	1,054,499
Utilities	136,193
Ordinary maintenance and operations	344,525
General	178,380
Insurance	59,207
Housing assistance payments	5,755,974
Depreciation and amortization	402,034
Total operating expenses	<u>7,930,812</u>
Operating income	130,842
Nonoperating revenues (expenses):	
Interest income	176,848
Capital grants	251,932
Interest expense	(52,891)
Gain on the sale of fixed assets	700
Nonoperating revenues (expenses)	<u>376,589</u>
Change in net assets	507,431
Net assets at beginning of year	11,092,693
Net assets at end of year	<u><u>\$ 11,600,124</u></u>

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Cash Flows
Year Ended September 30, 2007

Cash flows from operating activities:

Dwelling rentals	\$ 597,529
HUD PHA operating grants	7,507,364
Other government grants	(5,076)
Other operating revenues	36,656
Interest income	186,187
Total receipts	<u>8,322,660</u>
Administration	(1,032,199)
Utilities	(136,193)
Ordinary maintenance and operations	(344,525)
General	(178,380)
Insurance	(59,207)
Housing assistance payments	(5,732,987)
Tenant security deposits	11,848
FSS escrow deposits	(1)
Interest	(51,209)
Total disbursements	<u>(7,522,853)</u>
Net cash provided by operating activities	<u>799,807</u>

Cash flows from investing activities:

Payments received on notes receivable	78,992
Increase in notes receivable	(64,394)
Net deposits to cash restricted for HAP payments	(2,019,690)
Net deposits to debt service fund	(25,741)
Net deposits to residual receipts account	(1,047)
Net deposits to reserve for replacement account	(9,965)
Net cash used in investing activities	<u>(2,041,845)</u>

Cash flows from noncapital financing activities:

Cash flows from capital financing activities:

Purchase of fixed assets	(291,540)
Capital grants	251,932
Proceeds from sale of asset	700
Principal payments on long-term debt	(84,199)
Net cash used in capital financing activities	<u>(123,107)</u>

Net increase in cash and cash equivalents (1,365,145)

Cash and cash equivalents at beginning of year 2,585,988

Cash and cash equivalents at end of year \$ 1,220,843

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Statement of Cash Flows (continued)
Year Ended September 30, 2007

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ 507,431
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Capital grants	(251,932)
Depreciation	402,034
Amortization of debt costs included in interest	2,063
Gain on the disposal of fixed assets	(700)
(Increase) decrease in:	
Accounts receivable - HUD	72,477
Accounts receivable - other government	(8,736)
Accounts receivable - tenants	(1,844)
Accrued interest receivable	9,339
Prepaid expenses	(175)
FSS escrow - cash	2,182
Tenants' security deposits	9,401
Increase (decrease) in:	
Accounts payable	5,730
Accounts payable - HUD	22,987
Accounts payable - other government	793
Accrued payroll taxes payable	5,350
Accrued compensated absences	11,395
Accrued interest payable	(381)
Unearned revenue	12,129
FSS escrow liability	(2,183)
Tenants' security deposits	2,447
Net cash provided by operating activities	<u>\$ 799,807</u>

See accompanying notes to basic financial statements.

Davis Community Housing Authority
Notes to Financial Statements
Year Ended September 30, 2007

1. Summary of Significant Accounting Policies

Organization and History

The Davis Community Housing Authority (the Authority) was created under the laws of the State of Utah, and certified by the Department of Housing and Urban Development (HUD). The Authority is not considered a component unit of Davis County (the County) since the County exercises no responsibility either financially or administratively over the Authority. The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. The programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development.

Rosewood Villa is a multifamily HUD Subsidized project, which consists of 28 units, and is regulated under Section 221 (d)(3) of the National Housing Act of 1959, as amended. Rosewood Villa is regulated by HUD as to rent charges and operating methods. Rosewood Villa's financial statements are included in the Authority's supplementary schedules.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Davis County (the County), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the County exercises no oversight responsibility either financially or administratively over the Authority. No entity is considered a component unit of the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.*" This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (new in the current year) – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at September 30, 2007 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits, reserve for replacement deposits, residual receipt deposits, debt service deposits, and FSS escrow deposits, which are presented as restricted deposits.

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized. Construction in progress commences depreciation when the construction is complete and related assets placed in service.

<u>Major Groupings</u>	<u>Useful Lives (years)</u>
Buildings	5-40
Furniture and equipment, dwellings	3-15
Furniture and equipment, administration	3-15
Leasehold improvements	5-15

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Authority and the tenants of the property are operating leases. Capital Funds are requested by HUD and recognized when earned. Housing Assistance Payments are recognized when earned from HUD.

2. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

2. Deposits and Investments (continued)

The Authority follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of September 30, 2007, \$3,874,711 of the Authority's bank balances \$300,000 were insured by the FDIC, the remaining \$3,574,711 were collateralized with securities held by the pledging financial institution's trust department or agents in the Authority's name.

Investments

For the year ended September 30, 2007, the Authority had investments of \$65,103 held by the Authority's fiscal agent, Zions Bank. These investments were primarily U.S. Treasury Securities. These investments are restricted until the Authority pays the loan off of the office building.

The Act defines the types of securities authorized as appropriate investments for the Authority and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investments securities.

Statutes authorize the Authority to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

2. Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. At September 30, 2007, all Authority investments were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 2 of the Money Management Council limits investments in equity securities and fixed income securities to no more than 5 percent of all funds in any one issuer and no more than 25 percent of all funds in any one industry. No more than 5 percent of all funds may be invested in securities of a corporation that has been in continuous operation for less than 3 years. No more than 5 percent of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments.

3. Commitments and Contingencies

The Authority leases certain office equipment under non-cancelable operating leases extending through September 2008. Minimum future lease payments under non-cancelable operating leases with remaining terms in excess of one year as of September 30, 2007 in the aggregate and for each of the four succeeding fiscal years are as follows:

2008	\$ <u>6,168</u>
Total minimum future lease payments	\$ <u>6,168</u>

Total lease expense was \$7,488 for the year ended September 30, 2007.

4. Economic Dependency

A majority of the revenues received by the Authority come from HUD. Programs operated by the Authority depend upon continued funding by the U.S. Government.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

5. Long-Term Debt

Long-term debt at September 30, 2007 consists of the following:

- | | |
|---|-----------|
| 1- A mortgage payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a first lien on the land and buildings of the Villa Apartments complex (see item 2 below), with a carrying value of \$194,600 and bears an interest rate of 0% per annum. Principal and interest are payable in equal monthly payments of \$486. The mortgage note is due December, 2024, and began with a balance of \$122,635. | \$ 92,939 |
| 2- A mortgage note payable due to a financial institution. The mortgage note is collateralized with a second lien on the land and buildings of the Villa Apartments complex (see item 1 above) and bears an interest rate of 6.25% per annum. Principal and interest are payable in equal monthly payments of \$1,303. The mortgage note is due October, 2010, and began with a balance of \$115,608. | 98,718 |
| 3- A mortgage note payable due to a financial institution. The mortgage note is collateralized with a first lien on the land and buildings of the Hillside Apartments complex (see item 4 below), with a carrying value of \$268,400 and bears an interest rate of 8.75% per annum. Principal and interest are payable in equal monthly payments of \$2,665. The mortgage note is due November, 2025, and began with a balance of \$313,156. | 290,738 |
| 4- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a second lien on the land and buildings of the Hillside Apartments complex (see item 3 above) and bears an interest rate of 5% per annum. Principal and interest are payable in equal monthly payments of \$537. The mortgage note is due July, 2041, and began with a balance of \$96,218. | 89,988 |
| 5- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized by the land and buildings of the Hawthorne Apartments complex, with a carrying value of \$64,275 and bears an interest rate of 0% per annum. Principal and interest are payable in equal monthly payments of \$254. The mortgage note is due September, 2028, and began with a balance of \$76,008. | 63,808 |

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

5. Long-Term Debt (continued)

6- A mortgage note revenue bond payable to a financial institution. The mortgage revenue bond is collateralized by the land and an office building, with a carrying value of \$1,062,884 and bears variable interest rates ranging from 2.15% to 4.65% per annum. Annual principal and interest payments range from \$79,026 to \$79,814, with principal paid annually and interest paid semiannually. The mortgage revenue bond is due January, 2014.

479,000

Total mortgages payable	1,115,191
Current portion	<u>87,550</u>
Long-term portion	<u>\$ 1,027,641</u>

Loan	Balance 09/30/06	Additions	Payments	Balance 09/30/07
State of Utah-Villa	\$ 98,772	\$ -	\$ (5,833)	\$ 92,939
Barnes Bank-Villa	107,789	-	(9,071)	98,718
Wells Fargo-Hillside	297,092	-	(6,354)	290,738
State of Utah-Hillside	91,879	-	(1,891)	89,988
State of Utah-Hawthorne	66,858	-	(3,050)	63,808
Zions Bank Bond-Office	<u>537,000</u>	<u>-</u>	<u>(58,000)</u>	<u>479,000</u>
Total long-term debt	<u>\$1,199,390</u>	<u>\$ -</u>	<u>\$ (84,199)</u>	1,115,191
Current portion				<u>(87,550)</u>
Net long-term debt				<u>\$1,027,641</u>

Future maturities of long-term debt are as follows:

Year Ending September 30	Principal	Interest
2008	87,550	54,006
2009	91,907	50,341
2010	95,367	46,590
2011	155,689	38,409
2012	92,104	36,099
2013-2017	339,540	113,963
2018-2022	143,329	60,993
2023-2027	106,897	13,897
2028-2030	<u>2,808</u>	<u>-</u>
Total future maturities	<u>\$1,115,191</u>	<u>\$ 414,298</u>

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

5. Long-Term Debt (continued)

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below usual prevailing market rates in other industries and many loans bear interest rate subsidies and longer terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates for this industry have not been recorded on the Authority's financial statements as the difference between actual interest rates and interest rates that are customary in the industry are not considered material. Management is of the opinion that recording substantial debt discounts based on differences from prevailing rates in other industries would make the financial statements misleading.

6. Retirement Plans

The Authority contributes to the Local Government Contributory Retirement System (Contributory System), a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are actuarially determined. The contribution rates in effect for the year ending September 30, 2007, and the two previous fiscal years, calculated on the applicable salary for the eligible employees, are as follows:

<u>Year Ended September 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
2007	N/A	6.00%	7.61%
2006	N/A	6.00%	7.58%
2005	N/A	6.00%	7.08%

The contributions made by the Authority for the year ended September 30, 2007 were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

6. Retirement Plans (continued)

The required contributions and amounts received for the year ended September 30, 2007 and the two previous fiscal years are as follows:

	<u>Year Ended September 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Contributory System:					
Local Governmental Division					
	2007	\$ -	\$ 40,331	\$ 51,002	\$ 672,180
	2006	\$ -	\$ 39,696	\$ 47,688	\$ 661,608
	2005	\$ -	\$ 37,816	\$ 44,623	\$ 630,261
Defined Contributory System:					
401(K) Plan					
	2007	\$ 11,044	\$ -		
	2006	\$ 11,364	\$ -		
	2005	\$ 11,073	\$ -		

7. Risk Management and Concentrations of Credit Risk

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts that the Authority pays in the event of any loss. The Authority also has purchased a worker compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Davis County area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

Davis Community Housing Authority
Notes to Financial Statements (continued)
Year Ended September 30, 2007

8. Changes in Fixed Assets

A summary of changes in fixed assets for the year ended September 30, 2007 is as follows:

	Balance 9/30/2006	Additions	Retirements	Transfers	Balance 9/30/2007
Land	\$ 2,341,521	\$ -	\$ -	\$ -	\$ 2,341,521
Buildings	9,541,886	171,267	-	-	9,713,153
Furniture & Equipment- dwellings	129,571	7,326	-	-	136,897
Furniture & Equipment- administrative	470,154	-	(19,791)	(26,289)	424,074
Leasehold Improvements	774,349	46,226	-	26,989	847,564
Construction in Progress	91,081	66,721	-	(700)	157,102
Total Fixed Assets	<u>\$ 13,348,562</u>	<u>\$ 291,540</u>	<u>\$ (19,791)</u>	<u>\$ -</u>	<u>\$ 13,620,311</u>
Accumulated Depreciation	<u>(5,661,596)</u>	<u>(402,034)</u>	<u>19,791</u>		<u>(6,043,839)</u>
Net Fixed Assets					<u>\$ 7,576,472</u>

9. Interprogram Eliminations

The Authority has interprogram receivables and payables totaling \$77,801 that have been eliminated on the basic financial statements.

10. Notes Receivable under Community Development Block Grants

The Authority makes loans for home improvements to low-income homeowners and to owners of qualified rental properties secured by trust deeds on the owner's property. Home improvement loans totaled \$1,528,226, with the current portion totaling \$52,542, at September 30, 2007. The loans bear interest at rates ranging from 0% to 5% per annum depending on the borrower's income level and family size. Certain loans are due in monthly installments, while others are due on the sale or transfer of the secured property. Management estimates that the carrying value of the notes receivable approximates the fair value of the underlying collateral. The home improvement program is funded principally under HUD's CDBG program through grants from the State of Utah. Payments received by the Authority on loans made from CDBG grants after 1987 must be used for the same purpose for which they were originally granted. The Authority received payments in the amount of \$78,992 on existing loans. The funds are to be paid back to the State of Utah if the Authority does not comply with the regulations of the contracts in which the funds were originally granted. Appropriately, the funds are classified as restricted.

Supplementary Schedules

Davis Community Housing Authority
Financial Data Schedule I – Statement of Net Assets
September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Mortgage Insurance, Rental and Cooperative Housing for Moderate Income	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program, Section 8 Moderate Rehabilitation UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program
111	Cash - Unrestricted	\$279,592	\$39,003	\$0	\$267,515	\$194,524	\$2,254,094	\$0
113	Cash - Other Restricted	\$0	\$343,873	\$0	\$0	\$0	\$64,954	\$0
114	Cash - Tenant Security Deposits	\$4,966	\$5,949	\$0	\$23,180	\$0	\$0	\$0
100	Total Cash	\$284,558	\$388,625	\$0	\$290,695	\$194,524	\$2,319,048	\$0
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000
124	Accounts Receivable - Other Government	\$0	\$0	\$16,990	\$0	\$0	\$0	\$0
126	Accounts Receivable - Tenants - Dwelling Rents	\$3,174	\$370	\$0	\$6,465	\$0	\$0	\$0
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-607	\$-146	\$0	\$-1,506	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$2,567	\$224	\$16,990	\$4,959	\$0	\$0	\$20,000
132	Investments Restricted	\$65,103	\$0	\$0	\$0	\$0	\$0	\$0
142	Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$7,566	\$0	\$0	\$0
144	Interprogram Due From	\$371	\$2,575	\$0	\$20,479	\$209	\$19,240	\$0
150	Total Current Assets	\$352,599	\$391,424	\$16,990	\$323,699	\$194,733	\$2,338,288	\$20,000
161	Land	\$609,925	\$48,348	\$0	\$1,683,248	\$0	\$0	\$0
162	Buildings	\$1,655,383	\$776,567	\$0	\$7,101,004	\$0	\$0	\$145,519
163	Furniture, Equipment & Machinery - Dwellings	\$7,809	\$118,292	\$0	\$10,796	\$0	\$0	\$0
164	Furniture, Equipment & Machinery - Administration	\$6,296	\$42,417	\$0	\$273,541	\$1,835	\$57,579	\$9,275
165	Leasehold Improvements	\$24,915	\$0	\$0	\$757,474	\$0	\$0	\$65,175
166	Accumulated Depreciation	\$-573,551	\$-913,504	\$0	\$-4,446,656	\$-1,835	\$-57,579	\$-20,851
167	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$157,102
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,730,777	\$72,120	\$0	\$5,379,407	\$0	\$0	\$356,220
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0
174	Other Assets	\$11,793	\$0	\$0	\$0	\$0	\$0	\$0
180	Total Non-Current Assets	\$1,742,570	\$72,120	\$0	\$5,379,407	\$0	\$0	\$356,220
190	Total Assets	\$2,095,169	\$463,544	\$16,990	\$5,703,106	\$194,733	\$2,338,288	\$376,220

Davis Community Housing Authority
Financial Data Schedule I – Statement of Net Assets (continued)
September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	State/Local	Total
111	Cash - Unrestricted	\$205,805	\$3,240,533
113	Cash - Other Restricted	\$93,504	\$502,131
114	Cash - Tenant Security Deposits	\$0	\$34,095
100	Total Cash	\$299,309	\$3,776,759
122	Accounts Receivable - HUD Other Projects	\$11,261	\$31,261
124	Accounts Receivable - Other Government	\$4,991	\$21,981
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$10,009
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$-2,259
126.2	Allowance for Doubtful Accounts - Other	\$-5,000	\$-5,000
127	Notes, Loans, & Mortgages Receivable - Current	\$52,542	\$52,542
129	Accrued Interest Receivable	\$52,390	\$52,390
120	Total Receivables, net of allowances for doubtful accounts	\$116,184	\$160,924
132	Investments Restricted	\$0	\$65,103
142	Prepaid Expenses and Other Assets	\$0	\$7,566
144	Interprogram Due From	\$34,927	\$77,801
150	Total Current Assets	\$450,420	\$4,088,153
161	Land	\$0	\$2,341,521
162	Buildings	\$34,680	\$9,713,153
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$136,897
164	Furniture, Equipment & Machinery - Administration	\$33,131	\$424,074
165	Leasehold Improvements	\$0	\$847,564
166	Accumulated Depreciation	\$-29,863	\$-6,043,839
167	Construction In Progress	\$0	\$157,102
160	Total Fixed Assets, Net of Accumulated Depreciation	\$37,948	\$7,576,472
171	Notes, Loans, & Mortgages Receivable - Non Current	\$1,528,226	\$1,528,226
174	Other Assets	\$0	\$11,793
180	Total Non-Current Assets	\$1,566,174	\$9,116,491
190	Total Assets	\$2,016,594	\$13,204,644

Davis Community Housing Authority
Financial Data Schedule I – Statement of Net Assets (continued)
September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Mortgage Insurance, Rental and Cooperative Housing for Moderate Income	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program, Section 8 Moderate Rehabilitation UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program
321	Accounts Payable <= 90 Days	\$3,829	\$8,178	\$0	\$28,439	\$1,710	\$22,050	\$0
322	Accrued Wage/Payroll Taxes Payable	\$15,123	\$0	\$0	\$0	\$0	\$0	\$0
322	Accrued Compensated Absences - Current Portion	\$686	\$2,032	\$0	\$7,607	\$609	\$6,275	\$0
325	Accrued Interest Payable	\$4,187	\$0	\$0	\$0	\$0	\$0	\$0
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$122,572	\$0	\$0
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$20,632	\$0	\$0	\$0
341	Tenant Security Deposits	\$4,966	\$5,949	\$0	\$23,180	\$0	\$0	\$0
342	Deferred Revenues	\$1,579	\$736	\$0	\$1,699	\$0	\$0	\$2,083
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$87,550	\$0	\$0	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$1,742	\$99	\$16,990	\$2,784	\$0	\$1,009	\$20,000
310	Total Current Liabilities	\$119,662	\$16,994	\$16,990	\$84,341	\$124,891	\$29,334	\$22,083
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$1,027,641	\$0	\$0	\$0	\$0	\$0	\$0
354	Accrued Compensated Absences - Non Current	\$1,502	\$3,945	\$0	\$15,281	\$907	\$8,954	\$0
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$43,974	\$0
350	Total Noncurrent Liabilities	\$1,029,143	\$3,945	\$0	\$15,281	\$907	\$52,928	\$0
300	Total Liabilities	\$1,148,805	\$20,939	\$16,990	\$99,622	\$125,798	\$82,262	\$22,083
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$615,586	\$72,120	\$0	\$5,379,407	\$0	\$0	\$356,220
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$65,103	\$343,673	\$0	\$0	\$0	\$2,040,670	\$0
512.1	Unrestricted Net Assets	\$265,675	\$26,812	\$0	\$224,077	\$68,935	\$215,356	\$-2,083
513	Total Equity/Net Assets	\$946,364	\$442,605	\$0	\$5,603,484	\$68,935	\$2,256,026	\$354,137
600	Total Liabilities and Equity/Net Assets	\$2,095,169	\$463,544	\$16,990	\$5,703,106	\$194,733	\$2,338,288	\$376,220

Davis Community Housing Authority
Financial Data Schedule I – Statement of Net Assets (continued)
September 30, 2007

PHA: UT009 FYED: 09/30/2007		Account Description	State/Local	Total
Line Item No.				
312		Accounts Payable <= 90 Days	\$818	\$65,024
321		Accrued Wage/Payroll Taxes Payable	\$86	\$15,209
322		Accrued Compensated Absences - Current Portion	\$293	\$17,502
325		Accrued Interest Payable	\$0	\$4,187
331		Accounts Payable - HUD PHA Programs	\$0	\$122,572
333		Accounts Payable - Other Government	\$0	\$20,632
341		Tenant Security Deposits	\$0	\$34,095
342		Deferred Revenues	\$47,579	\$53,676
343		Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$87,550
347		Interprogram Due To	\$35,177	\$77,801
310		Total Current Liabilities	\$83,953	\$498,248
351		Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$1,027,641
354		Accrued Compensated Absences - Non Current	\$4,068	\$34,657
353		Noncurrent Liabilities - Other	\$0	\$43,974
350		Total Noncurrent Liabilities	\$4,068	\$1,106,272
300		Total Liabilities	\$88,021	\$1,604,520
508		Total Contributed Capital	\$0	\$0
508.1		Invested in Capital Assets, Net of Related Debt	\$37,948	\$6,461,281
511		Total Reserved Fund Balance	\$0	\$0
511.1		Restricted Net Assets	\$93,774	\$2,543,220
512.1		Unrestricted Net Assets	\$1,796,851	\$2,595,623
513		Total Equity/Net Assets	\$1,928,573	\$11,600,124
600		Total Liabilities and Equity/Net Assets	\$2,016,594	\$13,204,644

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Mortgage Insurance, Rental and Cooperative Housing for Moderate Income	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program, Section 8 Moderate Rehabilitation UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program
703	Net Tenant Rental Revenue	\$237,933	\$45,472	\$0	\$315,968	\$0	\$0	\$0
704	Tenant Revenue - Other	\$0	\$2,679	\$0	\$9,016	\$0	\$0	\$0
705	Total Tenant Revenue	\$237,933	\$48,151	\$0	\$324,984	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$0	\$140,044	\$41,507	\$284,160	\$676,003	\$6,154,685	\$20,000
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$251,933
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
711	Investment Income - Unrestricted	\$12,028	\$1,795	\$0	\$14,331	\$9,203	\$108,535	\$0
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$6,136	\$6,163	\$0
715	Other Revenue	\$5,555	\$1,386	\$0	\$10	\$393	\$0	\$0
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$700	\$0	\$0	\$0
720	Investment Income - Restricted	\$0	\$5,907	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$255,516	\$197,283	\$41,507	\$624,185	\$691,735	\$6,269,383	\$271,933

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$599,373
704	Tenant Revenue - Other	\$0	\$11,695
705	Total Tenant Revenue	\$0	\$611,068
706	HUD PHA Operating Grants	\$0	\$7,316,399
706.1	Capital Grants	\$0	\$251,933
708	Other Government Grants	\$118,488	\$118,488
711	Investment Income - Unrestricted	\$21,023	\$166,915
714	Fraud Recovery	\$0	\$12,299
715	Other Revenue	\$2,867	\$10,211
716	Gain/Loss on Sale of Fixed Assets	\$0	\$700
720	Investment Income - Restricted	\$4,026	\$9,933
700	Total Revenue	\$146,404	\$8,497,946

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	Business and Cooperative Activities	Mortgage Insurance Rental and Cooperative Housing for Moderate Income	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program
911	Administrative Salaries	\$8,167	\$56,564	\$3,608	\$148,264	\$22,919	\$276,369	\$0
912	Auditing Fees	\$380	\$380	\$0	\$950	\$475	\$6,935	\$0
914	Compensated Absences	\$345	\$986	\$0	\$5,847	\$192	\$2,566	\$0
915	Employee Benefit Contributions - Administrative	\$3,078	\$5,562	\$0	\$29,508	\$16,313	\$197,382	\$0
916	Other Operating - Administrative	\$12,222	\$17,759	\$0	\$43,222	\$9,685	\$124,429	\$0
931	Water	\$5,784	\$11,446	\$0	\$23,219	\$0	\$0	\$0
932	Electricity	\$930	\$2,651	\$0	\$43,282	\$0	\$0	\$0
933	Gas	\$890	\$818	\$0	\$25,016	\$0	\$0	\$0
938	Other Utilities Expense	\$4,027	\$0	\$0	\$18,130	\$0	\$0	\$0
941	Ordinary Maintenance and Operations - Labor	\$17,609	\$19,077	\$0	\$115,921	\$0	\$0	\$0
942	Ordinary Maintenance and Operations - Materials and Other	\$11,023	\$16,667	\$0	\$52,427	\$0	\$0	\$0
943	Ordinary Maintenance and Operations - Contract Costs	\$11,626	\$8,618	\$0	\$43,133	\$957	\$20,289	\$0
945	Employee Benefit Contributions - Ordinary Maintenance	\$4,107	\$0	\$0	\$23,071	\$0	\$0	\$0
961	Insurance Premiums	\$10,412	\$6,414	\$0	\$35,895	\$433	\$6,052	\$0
962	Other General Expenses	\$903	\$1,700	\$0	\$0	\$0	\$0	\$0
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$20,632	\$0	\$0	\$0
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$13,067	\$0	\$0	\$0
967	Interest Expense	\$50,828	\$0	\$0	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$143,331	\$148,642	\$3,608	\$641,584	\$50,974	\$634,022	\$0
970	Excess Operating Revenue over Operating Expenses	\$112,185	\$48,641	\$37,899	\$-17,399	\$640,761	\$5,635,361	\$271,933
973	Housing Assistance Payments	\$0	\$0	\$37,899	\$0	\$639,485	\$5,116,489	\$0
974	Depreciation Expense	\$59,510	\$1,339	\$0	\$321,287	\$0	\$50	\$16,331
900	Total Expenses	\$202,841	\$149,981	\$41,507	\$962,881	\$690,459	\$5,750,561	\$16,331
1001	Operating Transfers In	\$0	\$0	\$0	\$20,000	\$0	\$0	\$0
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	\$-20,000
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$20,000	\$0	\$0	\$-20,000
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$52,675	\$47,302	\$0	\$-318,696	\$1,276	\$518,822	\$235,602

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	State/Local	Total
911	Administrative Salaries	\$12,515	\$529,406
912	Auditing Fees	\$380	\$9,500
914	Compensated Absences	\$1,452	\$11,388
915	Employee Benefit Contributions - Administrative	\$6,232	\$258,075
916	Other Operating - Administrative	\$42,423	\$249,740
931	Water	\$0	\$40,449
932	Electricity	\$0	\$46,863
933	Gas	\$0	\$26,724
938	Other Utilities Expense	\$0	\$22,157
941	Ordinary Maintenance and Operations - Labor	\$0	\$152,607
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$80,117
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$84,623
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$27,178
961	Insurance Premiums	\$0	\$59,206
962	Other General Expenses	\$107,382	\$109,985
963	Payments in Lieu of Taxes	\$0	\$20,632
964	Bad Debt - Tenant Rents	\$0	\$13,067
967	Interest Expense	\$0	\$50,828
969	Total Operating Expenses	\$170,384	\$1,792,545
970	Excess Operating Revenue over Operating Expenses	\$-23,980	\$6,705,401
973	Housing Assistance Payments	\$0	\$5,793,873
974	Depreciation Expense	\$5,570	\$404,097
900	Total Expenses	\$175,954	\$7,990,515
1001	Operating Transfers In	\$0	\$20,000
1002	Operating Transfers Out	\$0	\$20,000
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-29,550	\$507,431

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Mortgage Insurance_Rental and Cooperative Housing for Moderate Income	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation UT009MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$893,689	\$395,303	\$0	\$5,922,180	\$67,659	\$1,737,204	\$118,535
1120	Unit Months Available	432	336	0	1,896	996	12,432	0
1121	Number of Unit Months Leased	423	322	0	1,856	994	12,197	0
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$0	\$215,356	\$0
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$0	\$2,040,670	\$0

Davis Community Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended September 30, 2007

PHA: UT009 FYED: 09/30/2007

Line Item No.	Account Description	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$1,958,123	\$11,092,693
1120	Unit Months Available	0	16,092
1121	Number of Unit Months Leased	0	15,792
1117	Administrative Fee Equity	\$0	\$215,356
1118	Housing Assistance Payments Equity	\$0	\$2,040,670

Davis Community Housing Authority
Notes to Financial Data Schedule
Year Ended September 30, 2007

1. Basis of Presentation

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

2. Reconciliation to Basic Financial Statements

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Net income</u>
Balances per Financial Data Schedules	\$13,204,644	\$1,604,520	\$11,600,124	\$ 507,431
Elimination of interprogram balances	<u>(77,801)</u>	<u>(77,801)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u><u>\$13,126,843</u></u>	<u><u>\$1,526,719</u></u>	<u><u>\$11,600,124</u></u>	<u><u>\$ 507,431</u></u>

**Schedule of Expenditures of Federal Awards and
Other Audit Reports and Schedules**

**Davis Community Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007**

<u>Federal Assistance Programs Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development (HUD)		
Direct Programs:		
Mortgage Insurance – Rental and Cooperative Housing for Moderate Income Families and Elderly	14.135	\$ 140,044
Low-Rent Public Housing	14.850	284,160
Section 8 Moderate Rehabilitation	14.856	676,003
Section 8 Housing Choice Vouchers	14.871	6,154,685
Public Housing Capital Fund	14.872	271,933
Passed Through from the Utah State Department of Community and Economic Development:		
HOME Program	14.239	10,422
Housing Opportunities for Persons With Aids	14.241	41,507
Passed Through from Clearfield City:		
Community Development Block Grants/ Small Cities Program	14.219	104,364
Total expenditures of federal awards		<u>\$ 7,683,118</u>

Davis Community Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007

1. Scope of Audit Pursuant to OMB Circular A-133

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

2. Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the September 30, 2006 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

3. Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the financial statements of the business activity and major fund of the Davis Community Housing Authority (the Authority) as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Commissioners
Davis Community Housing Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
June 4, 2008

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control
Over Compliance in Accordance
with OMB Circular A-133**

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

Compliance

We have audited the compliance of the Davis Community Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

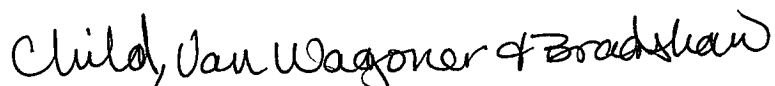
The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, board of commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Child, Van Wagoner, & Bradshaw, PLLC
Kaysville, Utah
June 4, 2008

Davis Community Housing Authority
Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No

- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Non compliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No

- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 Yes X No

Identification of major programs?

CFDA Number(s)

14.871

Name of Federal Program

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes No

Davis Community Housing Authority
Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2007

Section II-Financial Statement Findings and Questioned Costs

No matters were reported for the fiscal year ended September 30, 2007.

Section III-Federal Award Findings and Questioned Costs

No matters were reported for the fiscal year ended September 30, 2007.

**Davis Community Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended September 30, 2007**

No matters were reported for the fiscal year ended September 30, 2006.

**Davis Community Housing Authority
Independent Auditors' Report on State Legal Compliance
Year Ended September 30, 2007**

Board of Commissioners
Davis Community Housing Authority
Farmington, Utah

We have audited the financial statements of the Davis Community Housing Authority (the Authority), for the year ended September 30, 2007, and have issued our report thereon dated June 4, 2008. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority received no major state funding during the year ended September 30, 2007.

The Authority received the following nonmajor funding during the year ended September 30, 2007:

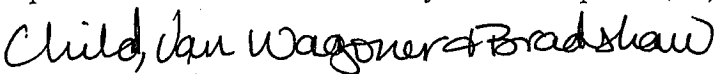
Critical Needs Grant
Low Income Housing

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended September 30, 2007.


Child, Van Wagoner & Bradshaw, PLLC
Kaysville, UT
June 4, 2008